



S.O.S.:



STOP OVER-SPENDING ACT OF 2007

SPENDING RESTRAINT - DEFICIT REDUCTION - BUDGET ENFORCEMENT - FISCAL RESPONSIBILITY

THE PROBLEM: SPENDING IS OUT OF CONTROL

Democrats Have Passed a Tax-and-Spend Budget

- Instead of exercising fiscal discipline as they promised, Democrats increase spending on Washington programs dramatically – their FY 2008 budget increases discretionary spending by \$205 billion over the President’s budget request for FY 2008-2012.
- Under the Democrats’ FY 2008 budget, entitlement spending grows unchecked by \$402 billion during FY 2008-2012.
- Democrats’ FY 2008 budget raids the Social Security surplus for more than \$1 trillion.
- Democrats’ FY 2008 budget increases the gross debt by \$2.5 trillion.
- By not extending existing tax policies in the FY 2008 budget, Democrats raise taxes by \$916 billion – the largest tax hike in U.S. history.

Budgetary Gimmicks and Lack of Fiscal Discipline Contribute To Unrestrained Spending

- In recent years, nearly 20% of all discretionary spending has been designated as emergency and is outside the caps. Emergency spending is not offset – it is pure deficit spending and has led to “shadow budgets,” or two sets of books.
- The Democrats’ FY 2008 budget includes a \$2 billion increase in the cap on advance appropriations, which allows \$2 billion more in discretionary spending in 2008, and diverts the budget impact into 2009.
- The Democrats’ FY 2008 budget contains at least 37 reserve funds that would increase spending by billions over five years by increasing taxes by the same amount, although neither the spending nor the tax increases are reflected in the actual budget.
- In their FY 2008 budget, Democrats use grossly-overstated tax gap and “tax loopholes” as a stalking horse for increased spending, and a way to camouflage increasing taxes to pay for all the spending they promise.
- The spending reconciliation process, a process designed to save money, has been manipulated to expand and launch new mandatory spending programs, rather than create any substantive savings.

Democrats’ Budget Does Nothing to Address Looming Entitlement Crisis Threatening Future Generations

- The pending retirement of Baby Boom generation, which will effectively double the over-65 population by 2035, and the dwindling worker-to-retiree ration (2.1:1 in 2035 from 5.1:1 in 1960s) combined with skyrocketing healthcare costs, creates a demographic and fiscal tsunami the U.S. government is unprepared to handle.
- Left unchecked, total unfunded liabilities over next 75 years will reach \$69 trillion (Social Security: \$4.7 trillion and Medicare: \$33.9 trillion).
- The partisan FY 2008 Budget Resolution does nothing to address this looming crisis, leaving our children to shoulder the fiscal burden.
- President’s reasonable plan to slow Medicare growth by 1.5% in FY2008-2012 would have reduced Medicare’s long-term unfunded obligation by \$8 trillion without impacting the vast majority (95%) of beneficiaries, but was flatly rejected by Democrats.

THE SOS SOLUTION: A “BIG BANG” APPROACH TO SPENDING RESTRAINT

Reduces Deficit as Share of GDP and Balances the Budget by 2012

- The SOS Act establishes a new, comprehensive deficit reduction mechanism. The automatic reconciliation mechanism addresses entitlement spending – the largest share of the budget.
 - ✓ Defines deficit reduction targets, as a share of the U.S. economy (GDP).
 - ✓ Achieves a balanced budget by 2012.

Brings Back Budget Discipline And Eliminates Gimmicks

- The SOS Act reinstates statutory discretionary caps for FY 2008-2010 – caps that both the President and Congress would be required to abide by.
- The SOS Act builds in Global War on Terror funding assumptions under those caps, plus cap adjustments for FY 2008-2010 emergency spending. No longer will emergency spending be “off the books” deficit spending, creating shadow budgets.
- The SOS Act prevents reconciliation from being misused as a mechanism to dramatically expand mandatory spending.

Establishes Consequences For Overspending

- The SOS Act establishes across-the-board reductions in discretionary spending if Congress fails to adhere to the statutory caps.
- The SOS Act requires Congress, if deficit reduction targets are not met, to reduce the rate of growth of mandatory spending, either through an automatic, expedited reconciliation process, or if Congress fails to act on reconciliation, through an across-the-board reduction in mandatory spending.
- The SOS Act creates a new point of order against mandatory spending, if the Medicare program (the first of the three major entitlement programs expected to reach insolvency thresholds) is projected to become insolvent within the next 7 years.

Eliminates Wasteful Spending

- The SOS Act gives the President and Congress a Second Look at Wasteful Spending/Expedited Rescission process to quickly and effectively eliminate wasteful spending, while maintaining Congress’ power of the purse.
- The SOS Act establishes a bi-partisan Commission on Accountability and Review of Federal Agencies to look for fraud, waste, abuse, and duplication across federal agencies and programs and requires Congress to act on the recommendations of the Commission regarding programs that should be eliminated or realigned.

Seeks Bi-Partisan Solution to Long-Term Entitlement Insolvency Issues

- The SOS Act creates a bi-partisan, 16-member Entitlement Solvency Commission and requires the Commission to make legislative recommendations to save the entitlement programs from financial ruin; requires Congress to act upon those recommendations under expedited fast track procedures.

Strengthens Budget Process

- The SOS Act includes biennial budgeting, converting annual budget, appropriations, and authorizing budget process into a two year cycle.
- The SOS Act includes a Social Security “Circuit Breaker” point of order against budgets that fail to reduce the on-budget deficit (excluding Social Security) and balance budget within 5 years.
- The SOS Act includes a supermajority tax increase point of order against any measure that includes a federal income tax rate increase.
- The SOS Act includes a budget-based Pay-go point of order against any direct-spending or revenue bill that would increase the deficit or reduce the surplus by more than amount assumed in budget resolution.
- The SOS Act ensures that expiring tax relief and expiring mandatory programs are treated the same in the budget baseline.